

**CASS COUNTY TRANSPORTATION AUTHORITY**

**FINANCIAL STATEMENTS**

**September 30, 2008**

# CASS COUNTY TRANSPORTATION AUTHORITY

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## **CASS COUNTY TRANSPORTATION AUTHORITY**

### **Management's Discussion & Analysis**

#### **Description of Basic Financial Statements**

The Cass County Transportation Authority (the "Authority") is a public transportation authority located in Cass County, Michigan. The Authority uses the accrual basis of accounting. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be a discussion and analysis of the financial results for the fiscal year ending September 30, 2008. The Authority's basic financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and statement of cash flows. The basic financial statements also include notes that explain the information recorded in the basic financial statements.

#### **Financial Highlights**

The Authority's total expenses were \$615,819 while total revenues were \$719,048 (\$203,818 operating revenue; \$512,103 non-operating revenues; \$3,127 adjustments).

The Authority's total net assets at September 30, 2008 were \$906,152 of which \$426,976 was invested in fixed assets (land, buildings, buses, shop equipment and office equipment).

The Authority received \$189,416 in state operating assistance. This exceeded the 36.1508% of eligible expenses by \$6,448. This has been recorded as a current year payable. The Authority received \$59,578 in Section 5311 federal operating assistance. This was below the eligible 16.0% by \$20,770. This has been recorded as a receivable for the current year.

#### **Condensed Financial Information**

The following condensed financial information provides an overview of the Authority's financial position for the fiscal years ending September 30, 2008 and September 30, 2007.

	<u><b>September 30, 2008</b></u>	<u><b>September 30, 2007</b></u>
Assets:		
Fixed assets	\$426,976	\$322,754
Other assets	<u>559,043</u>	<u>570,620</u>
Total assets	<u><u>\$986,019</u></u>	<u><u>\$893,374</u></u>
Liabilities:		
Current liabilities	<u>\$ 79,867</u>	<u>\$ 90,451</u>
Total liabilities	<u>\$ 79,867</u>	<u>\$ 90,451</u>
Net Assets:		
Invested in fixed assets, net of related debt	\$426,976	\$322,754
Unrestricted net assets	<u>479,176</u>	<u>480,169</u>
Total net assets	<u><u>\$906,152</u></u>	<u><u>\$802,923</u></u>
 Total liabilities & net assets	 <u><u>\$986,019</u></u>	 <u><u>\$893,374</u></u>

(a) *Net Assets* - Net assets, the difference between assets and liabilities.

(b) *Fixed Assets* – Fixed assets are made up of property, buildings, equipment and buses.

(c) *Other Assets* – Other assets consist of cash, investments, receivables and prepaid expenses.

(d) *Liabilities* – Liabilities consist of accounts payable or bills that the Authority owes payment on. Also included are payments due to the State of Michigan for overpayments of state operating assistance.

### **Changes in Net Assets**

The 2008 fiscal year represents the Authority's twentieth year in running the County transit program. The table below summarizes the Authority's operations for the September 30, 2008 and 2007 fiscal years.

Revenues:	2008	2007
Operating revenue:		
Fares	\$203,818	\$178,466
Reimbursed Expenses	<u>0</u>	<u>0</u>
Total operating revenues	<u>\$203,818</u>	<u>\$178,466</u>
Nonoperating revenues:		
State grants	\$249,836	\$214,571
Federal grants	246,290	192,994
Interest earned	<u>15,977</u>	<u>23,412</u>
Total nonoperating revenues	<u>\$512,103</u>	<u>\$430,977</u>
<b>Total Revenues</b>	<b><u>\$ 715,921</u></b>	<b><u>\$609,443</u></b>
Expenses:		
Purchased transportation	\$462,835	\$416,416
Repairs and maintenance	525	3,747
Services	25,395	24,392
Office supplies	27	124
Insurance	19,361	33,690
Other	4,421	3,406
Depreciation	<u>103,255</u>	<u>78,186</u>
<b>Total Expenses</b>	<b><u>\$ 615,819</u></b>	<b><u>\$559,961</u></b>
Net gain before adjustments	\$100,102	\$ 49,482
Total Adjustments	<u>3,127</u>	<u>261</u>
<b>Net Gain for the year</b>	<b>\$ 103,229</b>	<b>\$ 49,743</b>
Net assets – Beginning of the year	<u>802,923</u>	<u>753,180</u>
<b>Total net assets – End of the year</b>	<b><u>\$ 906,152</u></b>	<b><u>\$802,923</u></b>

### **Summary of Operations**

#### 1. Budget:

##### Expenditures

	MDOT		Difference
	<u>Operating</u>	<u>Audit</u>	<u>Audit vs. Budget</u>
2007-2008	\$ 564,900	\$ 615,819	(\$ 50,919)

Revenues	MDOT <u>Approved</u>	<u>Audit</u>	Difference <u>Audit vs. Budget</u>
2007-2008	\$ 562,900	\$ 715,921	\$ 153,021

MDOT approved the above amended budget for the Authority in March 2008. The Authority proposed using \$2,000 in retained earnings to balance the budget.

## 2. General Report on FY 2008 Operations:

Operation of the Cass County Transportation Authority remained unchanged throughout FY 2008. The Authority's seven member Board met on a monthly basis to set program policy and direction, approve expenditures and monitor activities. The Board contracted with Transportation Management, Inc. (TMI) to provide day-to-day operational services. The Board also continued to contract for administrative oversight services. The County Treasurer provides financial services and the County Clerk takes minutes for the Board's meetings.

Funding composition for the transit service consists of State, Federal and local dollars. Federal operating assistance was reduced to 16%, the State formula operating assistance from MDOT decreased from 38.62 % to 36.15% for FY 2008. Combined state and federal operating is targeted at 52.15% for FY 2009. The significant fare increases implemented by the Authority for 5 years beginning in FY 2006 have continued to help with the required local share.

Total ridership continued to decline. It dropped by 4,822 passengers from 32,258 to 27,436. This is the seventh year in a row ridership has declined. Elderly passengers with disabilities is the only sector that increased. Total days operated was 256. A portion of the decrease in ridership can still be attributed to the planned reduction in vehicle hours that was implemented to assist with balancing the budget.

Operating expenses and revenue were both up in FY 2008. The increase in expenses was primarily in the area of purchased transportation service and fuel. The unprecedented escalation of fuel prices to over \$4.00/gallon during FY 2008 had a significant impact on expenses and is anticipated to continue into FY 2009. The increase in revenue was primarily due to the increase in fares. Vehicle hours operated increased slightly by 258 hours and vehicle miles decreased by 3,751 miles. The cost per vehicle hour of service increased by \$2.08 per vehicle hour primarily due to the increased cost of fuel.

The Authority is currently in a financially solid position. Future insurance and fuel costs along with continued decreases in state operating funds must all be closely monitored to preserve a reasonable amount of retained earnings for unforeseen expenses.

## **CASS COUNTY TRANSPORTATION AUTHORITY**

### **BOARD MEMBERS**

DONALD LYONS	CHAIRPERSON
DR. FRED MATHEWS	VICE CHAIRPERSON
JAMES SAYER	SECRETARY/TREASURER
JOHN MILLER	MEMBER
GORDON BICKEL, SR.	MEMBER
THOMAS McCAUSLIN (October 2007 - June 2008)	MEMBER
CATHY GOODENOUGH (October 2007 - January 2008)	MEMBER
ARNOLD SHTEN (October 2007 - August 2008)	MEMBER
LINDA IRWIN	CASS COUNTY TREASURER AS TREASURER EX-OFFICIO
BARBARA WILSON	CASS COUNTY CLERK AS CLERK EX-OFFICIO

# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

January 2, 2009

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Cass County Transportation Authority  
Cassopolis, Michigan

Dear Board Members:

We have audited the financial statements of the Cass County Transportation Authority, as of and for the year ended September 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cass County Transportation Authority as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cass County Transportation Authority's financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The additional information listed on the table of contents has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

*Gerbel & Company, P.C.*

**Right. On time.**

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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Net Assets**  
**September 30, 2008**

**Assets**

Current Assets

Cash	\$ 25,819
Investments	489,187
Fares receivable	18,607
Due from State of Michigan - Federal	20,770
Prepaid insurance	<u>4,660</u>

Total Current Assets	<u>\$ 559,043</u>
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Noncurrent Assets - NOTE 4

Land	\$ 7,524
Building	357,303
Buses	704,524
Shop equipment	28,946
Office equipment	<u>47,964</u>

Less: Accumulated depreciation	<u>\$ 1,146,261</u> <u>719,285</u>
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Total Noncurrent Assets	<u>\$ 426,976</u>
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TOTAL ASSETS	<u>\$ 986,019</u>
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**Liabilities and Net Assets**

Current Liabilities

Accounts payable	\$ 48,008
Due to State of Michigan - State	<u>31,859</u>

Total Current Liabilities	<u>\$ 79,867</u>
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Net Assets

Invested in capital assets, net of related debt	\$ 426,976
Unrestricted net assets	<u>479,176</u>

Total Net Assets	<u>\$ 906,152</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 986,019</u>
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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**For the Year Ended September 30, 2008**

Operating Revenue	
Fares	\$ 203,818
Reimbursed expenses	<u>-</u>
Total Operating Revenue	\$ 203,818
Operating Expenses	<u>615,819</u>
Net Operating Loss	\$ <u>(412,001)</u>
Nonoperating Revenues	
Local:	
Interest earned	<u>\$ 15,977</u>
State:	
State of Michigan Grants - State	\$ 205,147
State of Michigan Grants - Federal	80,309
State of Michigan Grants - Federal	
capital contributions	165,981
State of Michigan Grants - State	
capital contributions	41,495
State of Michigan Grants - reimbursement	
for seminars, training and expenses	<u>3,194</u>
Total State Nonoperating Revenue	<u>\$ 496,126</u>
Total Nonoperating Revenues	<u>\$ 512,103</u>
Net income before adjustments	\$ 100,102
Sale of fixed assets	<u>3,127</u>
Net income for the year	\$ 103,229
Net Assets - Beginning of the Year	<u>802,923</u>
NET ASSETS - END OF THE YEAR	<u>\$ 906,152</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2008**

**Cash Flows from Operating Activities:**

Receipts from customers	\$ 198,372
Payments to suppliers of goods and services	(481,502)
Payments to contracted employees	<u>(20,850)</u>

Net cash used by operating activities	<u>\$ (303,980)</u>
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**Cash Flows from Noncapital Financing Activities:**

State and Federal operating assistance	<u>\$ 269,592</u>
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Net cash provided by noncapital financing activities	<u>\$ 269,592</u>
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**Cash Flows from Capital and Related Financing Activities:**

Purchase of fixed assets	\$ (207,476)
Contributed capital from State and Federal	211,258
Sale of fixed assets	<u>3,127</u>

Net cash provided by capital and related financing activities	<u>\$ 6,909</u>
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**Cash Flows from Investing Activities:**

Interest	<u>\$ 15,977</u>
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Net cash provided by investing activities	<u>\$ 15,977</u>
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Net increase in cash	\$ (11,502)
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Cash and investments at beginning of year	<u>526,508</u>
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CASH AND INVESTMENTS AT END OF YEAR	<u><u>\$ 515,006</u></u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating loss	\$ (412,001)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	103,255
Increase in receivables-fares	(5,446)
Decrease in prepaid insurance	66
Increase in accounts payable	<u>10,146</u>

NET CASH FLOWS FROM OPERATIONS	<u><u>\$ (303,980)</u></u>
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**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Cass County Transportation Authority is a public body organized as a legal entity pursuant to the "Public Transportation Authority Act" P.A. 196 of the Public Acts of 1986. The Authority was created to coordinate the transportation for human service agencies by Cass County. Services are provided for the County of Cass except for the area covered by the Dowagiac Dial-A-Ride. The Authority has the capability and the authority to provide public transportation to the general public in the area serviced.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the United States. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles for governments within the United States. The Authority's reporting entity applies all relevant GASB pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In accordance with GAAP, the Authority's operations are accounted for as a Business Type Activity. In this regard, the Authority follows the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred, irrespective of when paid.

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues are fares to passengers. Principle operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

**Accounting Pronouncements**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* (GASB 34). This statement established financial reporting standards for state and local governments including special purpose government such as the Authority. The GASB has followed up on such issues with other related pronouncements designed to clarify the intent of GASB 34.

GASB 34 and its related pronouncements and interpretation require, among other things, that the difference between assets and liabilities be reported as net assets, not equity; that a Management's Discussion and Analysis (MD&A) section precede the financial statements; and that capital assets be capitalized and depreciated over their estimated useful lives.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fixed Assets and Depreciation**

Fixed assets are stated at cost or fair market value at date of gift. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building	10-20 years
Buses	5-10 years
Shop Equipment	5-10 years
Office Equipment	5-10 years

Depreciation of \$103,255 includes only depreciation of assets purchased with local funds and where the useful life of the asset purchased has been approved by BPT.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Operating Assistance Overpayments Payable**

Overpayments of \$6,448 and \$31,167 for the years ended September 30, 2008 and 2007 respectively were computed and restated as follows:

	<u><b>2008</b></u>	<u><b>2007</b></u>
Operating Expenses	\$ 615,819	\$ 559,961
Less:		
Depreciation - current fiscal year	(103,255)	(78,186)
Sale of fixed assets	(3,127)	(261)
Advertising for sale of fixed assets	(70)	-
Ineligible portion of MPTA dues	(49)	(48)
Seminars and other reimbursements	<u>(3,194)</u>	<u>(2,192)</u>
Eligible operating expenses subject to limitation	<u>\$ 506,124</u>	<u>\$ 479,274</u>
36.1508% for 2008 of eligible operating expenses 38.6208% for 2007	\$ 182,968	\$ 185,100
State revenues received	<u>189,416</u>	<u>216,267</u>
Overpayment from state	<u>\$ (6,448)</u>	<u>\$ (31,167)</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Section 5311 Operating Assistance Receivable (Formerly Section 18)</b>		
Operating Expenses	\$ 615,819	\$ 559,961
Less:		
Depreciation - current fiscal year	(103,255)	(78,186)
Sale of fixed assets	(3,127)	(261)
Advertising for sale of fixed assets	(70)	-
Audit expense	(3,950)	(3,750)
Ineligible portion of MPTA dues	(49)	(48)
Other reimbursements	<u>(3,194)</u>	<u>(2,192)</u>
Net expenses	<u>\$ 502,174</u>	<u>\$ 475,524</u>
Reimbursable rate 16% x Net Expenses, not to exceed \$90,064	\$ 80,348	\$ 80,839
Less progress payments	<u>59,578</u>	<u>57,639</u>
Section 5311 underpayment due from State of Michigan - Federal	<u><u>\$ 20,770</u></u>	<u><u>\$ 23,200</u></u>

**NOTE 2 - CASH AND INVESTMENTS**

**Cash and Short-term Investments** - Investment policies for cash and short-term investments as set forth by the Michigan Compiled Laws section 129.91 authorizes the County to invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund.

**Long-term Investments** - The Authority's investment policy does not address investments other than the short-term investments stated above.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 2 - CASH AND INVESTMENTS - Continued**

**Interest Rate Risk** - The Authority minimizes interest rate risk by investing in short-term highly liquid investments.

As of September 30, 2008, the Authority had the following investments and maturities:

	<b><u>Fair Market</u></b> <b><u>Value</u></b>	<b><u>Less Than</u></b> <b><u>One Year</u></b>	<b><u>One to Three</u></b> <b><u>Years</u></b>	<b><u>More Than</u></b> <b><u>Three Years</u></b>
Certificates of Deposit	\$ 307,889	\$ 307,889	\$ -	\$ -
Money Market	<u>181,298</u>	<u>181,298</u>	<u>-</u>	<u>-</u>
 Total Investments	 <u>\$ 489,187</u>	 <u>\$ 489,187</u>	 <u>\$ -</u>	 <u>\$ -</u>

**Credit Risk** - Deposits are carried at cost. Deposits of the Authority are at various banks in the name of the Cass County Treasurer. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Michigan law allows public money to be deposited in financial institutions located in states other than Michigan, as long as the financial institutions have at least one branch in Michigan. The Authority's funds were deposited in three financial institutions that meet these requirements.

**Concentration of Credit Risk** - The Authority's policy states that with the exception of U.S. Treasury securities and authorized pools, no more than 50% of the total investment portfolio will be invested with a single financial institution.

**Custodial Credit Risk** - The Treasurer recommends financial institutions based on an evaluation of performance and solvency of the institution, as well as past performance and solvency of the institution. As of June 30, 2008, the Authority's funds were deposited in three institutions that meet this criteria. At year-end the carrying amount of the Authority's deposits was \$515,006 and the respective bank balance totaled \$515,006. None of the total bank balance is considered covered by the Federal Deposit Insurance Corporation (FDIC), as the Authority's funds are jointly invested with the Cass County funds. Only a portion of the overall total investment would be covered by the FDIC, the portion of which that would be attributable to the Authority funds is not determinable.

**NOTE 3 - COST ALLOCATIONS**

The Transportation Authority has cost allocation plans for all allocated expenses. All allocation plans except for those described in the accompanying schedule of findings and questioned costs, if any, are approved by the Michigan Department of Transportation, Bureau of Urban and Public Transportation, Bus Transit Division. The plans have been adhered to in the preparation of the financial statements.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 4 - CHANGES IN FIXED ASSETS**

The following schedule represents the changes in fixed assets of the Cass County Transportation Authority for the year ended September 30, 2008:

	<u>Balance</u> <u>October 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2008</u>
Assets not being depreciated:				
Land	\$ 7,524	\$ -	\$ -	\$ 7,524
Other Capital Assets:				
Building	\$ 357,303	\$ -	\$ -	\$ 357,303
Buses	712,040	205,368	(212,884)	704,524
Shop equipment	28,946	-	-	28,946
Office equipment	45,855	2,109	-	47,964
Total Other Capital Assets	\$ 1,144,144	\$ 207,477	\$ (212,884)	\$ 1,138,737
Total Capital Assets	\$ 1,151,668	\$ 207,477	\$ (212,884)	\$ 1,146,261
Accumulated depreciation	(828,914)	(103,255)	212,884	(719,285)
Net fixed assets	\$ 322,754	\$ 104,222	\$ -	\$ 426,976

**NOTE 5 - RISK MANAGEMENT**

The Transportation Authority participates in a risk pool. The Transportation Authority is responsible for the first \$5,000 per claim and the risk pool will cover up to \$4,000,000 per claim.

**NOTE 6 - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL**

Any capital money used to pay for operating expenses has been subtracted out as ineligible on OAR Schedule 4E (Nonurban Regular Service Expense Report) and Schedule 5 (Net Eligible Costs Computations of General Operations). Accordingly, expenses associated with account 41398 have been subtracted out as ineligible.

**NOTE 7 - NONFINANCIAL DATA**

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Operating Expenses**

	<u>Operations</u>	<u>Maintenance</u>	<u>General and Administrative</u>	<u>Year Ended September 30,</u>	
				<u>2008</u>	<u>2007</u>
Purchased transportation services	\$ 462,835	\$ -	\$ -	\$ 462,835	\$ 416,416
Repairs and maintenance	-	525	-	525	3,747
Services:					
Advertising and notices	-	-	595	595	392
Audit	-	-	3,950	3,950	3,750
Coordinator	-	-	20,850	20,850	20,250
Office supplies and expense	-	-	27	27	124
Insurance	19,361	-	-	19,361	33,690
Other:					
Training	-	-	3,194	3,194	2,192
Other	-	-	1,108	1,108	1,166
Operating expenses ineligible for reimbursement	-	-	119	119	48
Depreciation	-	-	103,255	103,255	78,186
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
 TOTAL OPERATING EXPENSES	 <u>\$ 482,196</u>	 <u>\$ 525</u>	 <u>\$ 133,098</u>	 <u>\$ 615,819</u>	 <u>\$ 559,961</u>



**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Net Eligible Costs Computations of General Operations**

	<u>Federal Section 5311</u>		<u>Local Operating Assistance</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Operating Expenses:				
Purchased transportation services	\$ 462,835	\$ 416,416	\$ 462,835	\$ 416,416
Repairs and maintenance	525	3,747	525	3,747
Services:				
Advertising and notices	595	392	595	392
Audit	3,950	3,750	3,950	3,750
Coordinator	20,850	20,250	20,850	20,250
Office supplies and expense	27	124	27	124
Insurance	19,361	33,690	19,361	33,690
Other:				
Training	3,194	2,192	3,194	2,192
Other	1,108	1,166	1,108	1,166
Operating expenses ineligible for reimbursement	119	48	119	48
Depreciation	<u>103,255</u>	<u>78,186</u>	<u>103,255</u>	<u>78,186</u>
Total Operating Expenses	<u>\$ 615,819</u>	<u>\$ 559,961</u>	<u>\$ 615,819</u>	<u>\$ 559,961</u>
Less: Ineligible Expenses:				
Depreciation - current fiscal year	\$ 103,255	\$ 78,186	\$ 103,255	\$ 78,186
Sale of fixed assets	3,127	261	3,127	261
Audit expense	3,950	3,750	-	-
Seminars and other reimbursements	3,194	2,192	3,194	2,192
Portion of association dues	<u>119</u>	<u>48</u>	<u>119</u>	<u>48</u>
Total Ineligible Expenses	<u>\$ 113,645</u>	<u>\$ 84,437</u>	<u>\$ 109,695</u>	<u>\$ 80,687</u>
Net Eligible Expenses	<u>\$ 502,174</u>	<u>\$ 475,524</u>	<u>\$ 506,124</u>	<u>\$ 479,274</u>
State Statutory Operating Assistance:				
36.1508% of eligible operating expenses				
(38.6208% for 2007)			<u>\$ 182,968</u>	<u>\$ 185,100</u>
Federal Section 5311:				
16% of eligible operating expenses				
(17% for 2007)	<u>\$ 80,348</u>	<u>\$ 80,839</u>		

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Financial Assistance - Federal and State**

<b>Federal Grantor/ Pass Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant No. Authorization Number</b>	<b>Program or Award Amount</b>
Passed Through Michigan Department of Transportation			
Federal Transit Grants			
Capital Grant - Section 5311 (80/20)	20.509	2002-0026/Z11	\$ 92,000
Capital Grant - Section 5309 (80/20)	20.500	2002-0026/Z12	79,200
Capital Grant - Section 5311 (80/20)	20.509	2002-0026/Z4	1,687
Operating Assistance - Section 5311 FY 2008	20.509	MI-18-X041	90,064
Rural Transit Assistance Program (RTAP)	N/A	N/A	2,034
			<u>\$ 264,985</u>
Michigan Department of Transportation			
Capital Grant - Section 5311 (80/20)	N/A	2002-0026/Z8	\$ 23,000
Capital Grant - Section 5309 (80/20)	N/A	2002-0006/Z9	19,800
Capital Grant - Section 5311 (80/20)	N/A	2002-0026/Z4	422
Operating Assistance - Section 5311	N/A	N/A	189,416
			<u>\$ 232,638</u>
Total Capital Assistance			<u><u>\$ 497,623</u></u>

<u>Current Year's Expenditures</u>			<u>Prior</u>	<u>Award</u>
<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Year's</u>	<u>Amount</u>
			<u>Expenditures</u>	<u>Remaining</u>
\$ 85,094	\$ 85,094	\$ -	\$ -	\$ 6,906
79,200	79,200	-	-	-
1,687	1,687	-	-	-
80,565	80,565	-	-	9,499
2,034	2,034	-	-	-
<u>\$ 248,580</u>	<u>\$ 248,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,405</u>
\$ 21,273	\$ -	\$ 21,273	\$ -	\$ 1,727
19,800	-	19,800	-	-
422	-	422	-	-
189,416	-	189,416	-	-
<u>\$ 230,911</u>	<u>\$ -</u>	<u>\$ 230,911</u>	<u>\$ -</u>	<u>\$ 1,727</u>
<u>\$ 479,491</u>	<u>\$ 248,580</u>	<u>\$ 230,911</u>	<u>\$ -</u>	<u>\$ 18,132</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Statement of Local Revenues**  
**For the Year Ended September 30, 2008**

Farebox	\$ 24,344
Contract fares	179,474
Interest earned	15,977
Sale of fixed assets	<u>3,127</u>
Total	<u>\$ 222,922</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Operating and Contract Expenses**  
**For the Year Ended September 30, 2008**

<u>Expenses</u>	<u>Urban</u>	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Another Operating Contract</u>	<u>Total</u>
Labor	\$ -	\$ 280,442	\$ -	\$ -	\$ 280,442
Fringe benefits	-	54,832	-	-	54,832
Services	-	51,008	-	-	51,008
Materials and supplies	-	87,600	-	-	87,600
Utilities	-	10,351	-	-	10,351
Insurance	-	19,361	-	-	19,361
Taxes and fees	-	131	-	-	131
Miscellaneous	-	8,442	-	-	8,442
Operating leases and rentals	-	397	-	-	397
Depreciation	-	103,255	-	-	103,255
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>\$ -</u>	<u>\$ 615,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,819</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Nonurban Regular Service Revenue Report**  
**For the Year Ended September 30, 2008**

<u>Code</u>	<u>Description</u>	<u>Amount</u>
<b>401:</b>	<b>Farebox Revenue</b>	
40100	Passenger Fares	\$ 24,344
40200	Contract Fares	179,474
<b>407:</b>	<b>Non Trans Revenue</b>	
40760	Gains from the Sale of Capital Assets	3,127
<b>411:</b>	<b>State Formula and Contracts</b>	
41101	State Operating Assistance	205,147
<b>413:</b>	<b>Federal Contracts</b>	
41302	Federal Section 5311	80,309
41398	RTAP	3,194
<b>414:</b>	<b>Other Revenue</b>	
41400	Interest Income	<u>15,977</u>
	Total	<u>\$ 511,572</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Nonurban Regular Service Expense Report**  
**For the Year Ended September 30, 2008**

<u>Code</u>	<u>Description</u>	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Amount</u>
<b>501: Labor</b>					
50101	Operator's Salaries and Wages	\$ 196,712	\$ -	\$ -	\$ 196,712
50102	Other Salaries and Wages	5,593	32,140	13,584	51,317
50103	Dispatchers' Salaries and Wages	32,413	-	-	32,413
<b>502: Fringe Benefits</b>					
50200	Other Fringe Benefits	44,758	7,291	2,783	54,832
<b>503: Services</b>					
50302	Advertising Costs	-	-	665	665
50305	Audit Costs	-	-	3,950	3,950
50399	Other Services	380	12,853	33,160	46,393
<b>504: Materials and Supplies</b>					
50401	Fuel and Lubricants	76,376	-	-	76,376
50402	Tires and Tubes	4,248	-	-	4,248
50404	Major Supplies	-	-	-	-
50499	Other Materials and Supplies	2,910	359	3,707	6,976
<b>505: Utilities</b>					
50500	Utilities	-	-	10,351	10,351
<b>506: Insurance</b>					
50603	Liability Insurance	-	-	16,283	16,283
50699	Other Insurance	-	-	3,078	3,078
<b>507: Taxes and Fees</b>					
50700	Taxes and Fees	131	-	-	131
<b>509: Miscellaneous Expenses</b>					
50902	Travel, Meetings and Training	1,732	-	5,528	7,260
50903	Association Dues and Subscriptions	-	-	700	700
50999	Other Miscellaneous Expenses	-	-	482	482
<b>512: Operating Leases and Rentals</b>					
51200	Operating Leases and Rentals	-	-	397	397
	Total Expenses				<u>\$ 512,564</u>
<b>550: Ineligible Expenses</b>					
55008	Gain on Sale of Fixed Assets	-	-	3,127	\$ 3,127
55009	Ineligible Percent of Association Dues	-	-	49	49
55010	Ineligible Advertising	-	-	70	70
<b>574: Ineligible Expenses</b>					
57402	Ineligible RTAP	1,118	-	2,076	<u>3,194</u>
	Total Ineligible Expenses				<u>\$ 6,440</u>
	Total Eligible Expenses				<u>\$ 506,124</u>

**CASS COUNTY TRANSPORTATION AUTHORITY**  
**Schedule of Mileage Data**

<u><b>Demand - Response</b></u>	<u><b>Public Transportation Mileage</b></u>	
	<u><b>Year Ended</b></u>	
	<u><b>September 30,</b></u>	
	<u><b>2008</b></u>	<u><b>2007</b></u>
First quarter ended December 31, 2007	56,345	53,889
Second quarter ended March 31, 2008	55,879	57,583
Third quarter ended June 30, 2008	65,261	63,388
Fourth quarter ended September 30, 2008	<u>63,056</u>	<u>61,930</u>
	<u>240,541</u>	<u>236,790</u>



# Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Fifth Third Bank Building ■ 4<sup>th</sup> Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

January 2, 2009

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Cass County Transportation Authority  
Cassopolis, Michigan

We have audited the financial statements of Cass County Transportation Authority, as of and for the year ended September 30, 2008, which collectively comprise the Cass County Transportation Authority's basic financial statements and have issued our report thereon dated January 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards** issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Right. On time.**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - Continued**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

We noted certain matters to management of the Authority, in a separate letter dated January 2, 2009.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Seibel & Company, P.C.*